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October 22, 2004

Ex Parte

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Local Telephone Competition and Broadband Reporting, WC Docket. No 04-141 and CC Docket. No. 99-301

Dear Ms. Dortch:

Yesterday, Scott Randolph, Julie Chen Clocker, Dan Harris and the undersigned of Verizon met with Ellen Burton, Frank Hopwood, Mike Goldstein, Rodger Woock and James Eisner of the Wireline Competition Bureau and Whitey Thayer and Behzad Ghaffari of the Office Engineering and Technology to discuss the above proceeding. The attached handout was used during the meeting and summarizes the topics discussed. All issues discussed are consistent with Verizon's position on the record.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann D. Berkowitz".

Attachment

cc: Ellen Burton
Frank Hopwood
Mike Goldstein
Rodger Woock
James Eisner
Whitey Thayer
Behzad Ghaffari



Local Competition and Broadband Reporting

October 21, 2004

Local Competition and Broadband Reporting

- **There is intense competition in the market for broadband applications and services, in both the residential and business markets.**
- **Verizon is leading the way in deployment of advanced fiber and packet switching networks.**
- **The FCC's broadband reporting requirements should balance the need for data with the realities of the competitive landscape.**

Cable and DSL Subscriber Growth is Strong

Cable Modem and DSL Subscriber Growth: 1H 2004					
DSL			Cable		
	Net Adds 1H 2004	Total Subs. 2Q 2004		Net Adds 1H 2004	Total Subs. 2Q 2004
SBC	762,000	4.3 million	Comcast	721,000	6.0 million
Verizon	655,000	2.9 million	Time Warner	341,000	3.7 million
BellSouth	276,000	1.7 million	Cox	259,000	2.2 million
Qwest	216,000	853,000	Charter	183,000	1.7 million
Sprint	79,000	383,000	Cablevision	122,000	1.2 million
Other*	127,000	1.1 million	Other*	364,000	2.0 million
Total	2.1 million	11.3 million	Total	2.0 million	16.9 million
<p>*Other DSL providers are ALLTEL, Citizens Communications, Cincinnati Bell, CenturyTel, and Covad. Other cable modem providers are Adelphia, Mediacom, Insight Communications, and RCN. <i>Source: M. Rollins, et al., Citigroup, Telecom Tidbit: Updating HSI Share Analysis for Recent 2Q Results at 4 (Aug. 16, 2004).</i></p>					

Cable Continues To Lead DSL In Terms Of Availability And Penetration

- **Cable modem service is now available to at least 87 percent of all U.S. households and by the end of 2004 will be available to approximately 90 percent of U.S. households.** See *Aug. 2004 Bernstein Broadband Update* at 6 (cable broadband available to approximately 94 percent of total cable homes passed).
- **Four of the largest cable companies (Comcast, Time Warner, Cox, and Cablevision) now make cable modem service available to between 95 and 100 percent of their homes passed, and between 25 and 36 percent of these companies' video subscribers now take cable modem service.** See, e.g., *id.* at 6 & Exhibit 5.
- **The Bell companies, by contrast, currently make DSL available to about 75-80 percent of their homes passed and only between 7 and 15 percent of their residential voice subscribers take DSL.** See *Aug. 2004 Bernstein Broadband Update* at 7, Exhibit 6 (reporting DSL availability at 80% for SBC, 80% for Verizon, 75% for BellSouth, and 60% for Qwest).
- **Cable modem service is available in virtually all of the same markets where DSL is provided. JP Morgan has estimated that no more than 5 percent of U.S. households would be able to receive DSL but not cable modem by the end of 2003.** See J. Bazinet, *et al.*, JP Morgan, *Broadband 2003* at Figure 9 (Dec. 5, 2002).

DSL and Cable Compete on Price and Speed

Current Residential Offerings by DSL and Cable Modem Providers								
Technology	DSL				Cable Modem			
Provider	Verizon	SBC	BellSouth	Qwest	Comcast	Cablevision	Cox	Time Warner
Downstream Bandwidth	1.5 Mbps	384 kbps-3 Mbps	256 kbps-3 Mbps	256 kbps-1.5 Mbps	3 Mbps	3.5 Mbps	4-5 Mbps	3 Mbps
Upstream Bandwidth	384 kbps	128-384 kbps	128-384 kbps	256-896 kbps	256 kbps	1 Mbps	512-768 kbps	384 kbps
Monthly Price	\$29.95-\$34.95	\$26.95-\$59.99	\$24.95-\$64.95	\$15.00-\$44.99	\$42.95-\$57.95	\$44.95-\$49.95	\$39.95-\$69.95	\$44.95-\$59.95
Sources: See UNE Fact Report, WCB Docket 04-313, October 4, 2004, Appendices A & H.								

Broadband Competition Is Thriving For Small-Business Customers

- **Five of the six largest cable system operators (which, collectively, represent over 90 percent of consumer cable modem subscribers) already offer broadband services specifically tailored to small businesses.**
- **A March 2004 study commissioned by the Small Business Administration separately analyzed small businesses according to three different segments (those with 0-4 employees, those with 5-9 employees, and those with revenues less than \$200,000), and found that “for all three segments penetration was higher for cable modem service than for DSL.”**
- **A December 2003 study by In-Stat/MDR analyzes small businesses with 5 to 99 employees and finds that, as of year-end 2003, there were 2.1 million such businesses using cable modems compared to 1.4 million using DSL**

DSL and Cable Compete for Business Customers

Current Small Business Offerings by DSL and Cable Modem Providers							
Technology	DSL				Cable		
Provider	Verizon Business DSL	SBC Symmetric DSL	Covad TeleSpeed Business DSL	AT&T Business Class DSL	Time Warner Road Runner Business Class	Comcast Business Comm. Comcast Workplace	Cablevision Business Class Optimum Online
Downstream Bandwidth	384 kbps-7.1 Mbps	144 kbps-1.5 Mbps	144 kbps-1.5 Mbps	144 kbps-1.5 Mbps	1-4 Mbps	4-5 Mbps	10 Mbps
Upstream Bandwidth	384-768 kbps	144 kbps-1.5 Mbps	144 kbps-1.5 Mbps	144 kbps-1.5 Mbps	192 kbps-1.5 Mbps	384-512 kbps	1 Mbps
Monthly Price	\$39.95-\$204.95	\$89.99-\$289.95	\$125.95-\$289.95	\$149.95-\$399.95	\$79.95-\$399.95	\$145-\$200	\$109.95
<i>Sources: UNE Fact Report,, WCB Docket 04-313, October 4, 2004, Appendices A & H.</i>							

Comparable Offerings by Alternative Providers

Table 5. Typical Residential Offerings by Alternative Broadband Providers				
Technology	BPL	Satellite		Fixed Wireless
Provider	COMTek Broadband	DIRECWAY	StarBand	NTELOS Portable Broadband
Downstream Bandwidth	300-500 kbps	500 kbps	250-500 kbps	1.5 Mbps
Upstream Bandwidth	300-500 kbps	50 kbps	up to 100 kbps	550 kbps
Monthly Price	\$26.95	\$59.99-\$99.99	\$39.99-\$99.99	\$34.95-\$59.95
Availability	Manassas, VA	Continental U.S.	Nationwide	VA & NC Cities
<i>Sources: See UNE Fact Report, WCB Docket 04-313, October 4, 2004, Appendices A & H.</i>				

Comparable Offerings by Alternative Providers

Table 6. Typical Small-Business Offerings by Alternative Broadband Providers				
Technology	BPL	Satellite		Fixed Wireless
Provider	COMTek Broadband	DIRECWAY	StarBand Small Office	NTELOS Portable Broadband
Downstream Bandwidth	256 kbps-1.5 Mbps	1 Mbps	1 Mbps	1.5 Mbps
Upstream Bandwidth	256 kbps-1.5 Mbps	100 kbps	256 kbps	550 kbps
Monthly Price	\$59.95-\$359.70	\$99.99-\$129.99	\$139.99-\$159.99	\$34.95-\$59.95
<i>Sources:</i> UNE Fact Report, WCB Docket 04-313, October 4, 2004, Appendices A & H.				

Recent Changes in Cable/DSL Competitive Offerings and Promotions

DSL		
Verizon	Apr. 2004	Began three-month promotion of free Wi-Fi routers to new DSL customers
	June 2004	Raised maximum upstream speeds for the 1.5 Mbps service from 128 kbps to 384 kbps; reduced prices for business DSL for a savings of \$30 to \$40 a month
	Sept. 2004	Began offering a 3.0 Mbps/768 kbps service
SBC	Sept. 2003	Lowered prices by 10% to \$26.95 across its region to customers who sign-up online or purchase DSL within a bundle with a one-year commitment
	Feb. 2004	Replaced a \$99.95 high-end offering with 3.0 Mbps/384 kbps service for \$44.99
	Apr. 2004	Reduced price for 3.0 Mbps/384 kbps service to \$36.99 when purchased with local, long-distance, and wireless service Reinstated promotion of \$26.95 per month for download speeds of up to 1.5 Mbps
	June 2004	Increased e-mail storage to 2 GB per account; expanded \$26.95 DSL promotion to any new customer with SBC bundle
	Aug. 2004	Announced increase of upload speeds from 128 kbps to 256 kbps, then 384 kbps for 384 kbps-1.5 Mbps download service, and from 384 kbps to 416 kbps, then 512 kbps for 1.5-3.0 Mbps service
BellSouth	3Q 2003	Began offering free first and third months of service
	3Q 2003	Reduced monthly rates to \$29.95 and \$39.95, when DSL is purchased with unlimited local and long-distance calling
	3Q 2004	Offering free Wi-Fi routers to new DSL customers
	Sept. 2004	Reduced monthly rate of 1.5 Mbps service by \$7 per month; new DSL customers will receive a \$15 discount per month on any DSL service for the first six months Began six-month promotion for service for as little as \$9.95 (256 kbps/128 kbps) and \$17.95 (1.5 Mbps/256 kbps) for customers who subscribe to the unlimited long-distance plan
Qwest	2003	Reduced monthly rate by 30 percent to \$34.99 when purchased as part of a bundle
	3Q 2003	Reduced monthly modem rental fees from \$5 to \$2; monthly rate with bundled service now \$29.95

Sources: UNE Fact Report, WCB Docket 04-313, October 4, 2004, Appendices A & H.

Recent Changes in Cable/DSL Competitive Offerings and Promotions

CABLE		
Comcast		Launched aggressive promotional trial, offering \$19.95 for one year to a select group of DSL customers in California, Illinois, and Maryland
	3Q 2003	Offered \$19.99 per month (effective for 3 or 6 months) for video customers, or \$33.99 per month for non-video customers, in most markets
	Oct. 2003	Announced increased download speed to 3 Mbps from 1.5 Mbps
	July 2004	Announced a new 4 Mbps tier option and an increase in e-mail storage from 10 MB to 250 MB
Time Warner	Oct. 2003	Increase download speed to 3 Mbps from 2 Mbps
	Dec. 2003	Lowered monthly rate in Kansas City, Mo. from \$44.95 to \$26.95 for one year
	4Q 2003	Currently testing faster upload speeds (512 kbps)
	July 2004	Announced launch of speeds up to 6 Mbps/512 kbps; promoted service for \$29.95 per month for six months in New York
Charter	Sept. 2003	Increased download speeds to 2.0 Mbps at no extra charge
	Apr. 2004	Increased download & upload speeds to 3.0 Mbps/256 kbps
Cablevision	June 2004	Began offering bundle of Internet, telephone, and video service to new customers for \$89.95
Cox	3Q 2003	Reduced monthly modem rental rate from \$15 to \$10
	4Q 2003	Rolling out a reduced-priced data product in 7 markets – Northern Va., Kan., New Orleans, Humboldt and Santa Barbara, Cal., Phoenix, and Ga.
	4Q 2003	Plans to add a higher-speed service as part of its tiering strategy
	Aug. 2004	Announced higher data speeds for all three service tiers (up to 5 Mbps download) and lowered the price on the fastest service by \$5-\$25, depending on the area
Adelphia	Oct. 2003	Increased download speed to 3 Mbps; doubled upload speed to 256 kbps
RCN	Oct. 2003	Increased top download speed to 5 Mbps; doubled download speed of lower-priced tier to 3 Mbps
	July 2004	Announced launch of download speeds of up to 7 Mbps
Mediacom	Jan. 2004	Announced it will double download and upload speeds to 3 Mbps and 256 kbps, respectively, at no extra charge

Sources: UNE Fact Report, WCB Docket 04-313, October 4, 2004, Appendices A & H.

Verizon is Leading the Way in Broadband Deployment

- **Expanded DSL reach to an additional 10 million homes in 2003, 7 million more in 2004.**
 - Recently announced DSL expansion to four new states and new markets in 11 additional states.
 - Introducing new 3 Mbps offering.
- **New FTTP deployment in Texas, California, Florida.**
 - Verizon will invest \$1 billion to reach 1 million homes and businesses in nine states by the end of 2004, and an additional 2 million in 2005.
 - Introduced new Fios data offerings:
 - 5 Mbps/2 Mbps - \$34.95 / \$39.95
 - 15 Mbps/2Mbps - \$44.95 / \$49.95
 - 30 Mbps/5 Mbps – price TBD
 - Completely new customer experience.
- **Deploying new softswitch (packet switching) technology in both local and long distance networks as a result of an agreement with Nortel.**

Local Competition and Broadband Reporting

- **FCC's broadband reporting requirements should balance the need for data with the realities of the competitive landscape.**
- **The types of broadband information gathered by the data collection program are sufficient.**
- **Current program provides the FCC with information that shows the extent of broadband deployment and that the broadband market is competitive today.**
- **Extensive data on broadband deployment is also available from sources other than providers themselves.**

Specific Reporting Proposals

- **Report asymmetric and symmetric DSL connections separately from “other traditional wireline.”**
- **Number of connections by zip code.**
- **Number of high-speed connections in six “speed tiers” and by technology.**
- **Best estimate of the percentage of mass-market end-user premises in which high-speed service is available over the filer’s facilities.**

Specific Reporting Proposals

- **Actual Transfer Rates**
- **Pricing Information (Vermont PSC)**
- **Threshold Levels**
- **Percentage of lines that are “default interstate long distance carrier.”**
- **Confidentiality**